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Boston Gas Company d/b/a)	D.T.E. 03-40 2nd Annual PBR
KeySpan Energy Delivery New England)	05-66 Rate Adjustment Filing
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7. Based on my research and understanding, the Gross Domestic Product Price Index (“GDP-PI”) is effected by energy costs. The increase in energy costs cited by the Company in its PBR filing has impacted the GDI-PI during the period used to determine the Company’s price cap inflation factor, increasing this factor by as much as 50 percent over previous periods, and consequently adding as much as \$2.9 million to the Company’s requested revenue increase under the PBR formula. Therefore, the Company receives some offsetting compensation for the increase in bad debt expense through the price cap formula.
8. The Company should also be compensated for the increase in bad debt expense through its base rates. The Company would be expected to have increased bad debt during a period when it had increased sales due to colder than normal weather, as it did during 2004, the measurement year in its filing. The increase in sales, however, increased the Company’s base revenues by over \$4.8 million, according its calculations in the filing, thus offsetting increases in bad debt expense.
9. Notwithstanding the fact that the claimed bad debt expense increase is neither a distribution rate cost nor an exogenous cost, the Company has not provided the evidence necessary for me to determine what its gross writeoffs and recoveries are for its core customers. Specifically, the Company has not provided any accounting statements, much less ones that are audited, that provide the gross writeoffs and recoveries for its core customers.

The foregoing affidavit is true and accurate, to the best of my knowledge, information and belief.

Signed this 20th day of October 2005.

Timothy Newhard

Subscribed and sworn to before me this 20th day of October 2005.

Notary Public

My Commission expires: